

New Jersey State Health Benefits Program

Dental Plans

*Plan Year 2015
Rate Renewal Recommendation Report*

January 1, 2015 – December 31, 2015

September 2014



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State Health Benefits Program Dental Plans Rate Renewal Recommendation Report For Plan Year 2015

Executive Summary

The purpose of this report is to review the experience of the Dental Plans offered through the New Jersey State Health Benefits Program (SHBP) to State Employees and Retirees, as well as Employees and Retirees of participating Local Employers, and recommend premium levels to support the Dental Plans for Plan Year 2015. Rate renewal recommendation reports on the SHBP Medical Plans have been submitted to the Division of Pensions and Benefits under separate cover.

The SHBP Dental Program currently includes the following options:

- The self-insured Employee Dental Expense Plan (DEP), administered by Aetna, which covers State Active Employees and Active Employees of participating Local Employers;
- The self-insured Retiree Dental Expense Plan, administered by Aetna, which covers State Retirees and Retirees of participating Local Employers; and
- The six fully-insured Dental Plan Organizations (DPOs), which cover State Active Employees and Active Employees of participating Local Employers.



Dental RFP

The Division of Pensions and Benefits recently concluded a Request for Proposal (RFP) process for the SHBP Dental Program and their recommendations for Plan Year 2015 are:

DEP – Continue with Aetna as the administrator for the self-insured DEP program for both Actives and Retirees.

DPOs – Continue with Aetna, Cigna, Horizon, and Healthplex and add MetLife as fully-insured DPOs. Do not renew coverage with Benecare and Community Dental Associates. Expand DPO coverage to include Retirees as well as Actives.

The projected annual overall savings from this RFP are \$16 million, a combination of savings due to lower administrative fees for the DEP, guaranteed claim discounts for the DEP, lower premium rates for the DPOs, and the assumed migration of some retirees from the DEP to one of the DPOs (which range from 23% to 53% of the cost of the DEP program).

The rate renewal recommendations resulting from the Dental RFP are reflected in Exhibit 1.

Benefit Changes

In Plan Year 2010 the Retiree Dental Expense Plan changed from a passive PPO to a true PPO plan with lower out-of-network benefits, which reduced claim costs 11% (\$6 million annual savings). In Plan Year 2012, the Employee Dental Expense Plan also changed from a passive PPO to a true PPO, which reduced claim costs 12% (\$6 million annual savings). Other than the offer of DPO enrollment to Retirees for the first time, there are no anticipated plan design changes for Plan Year 2015. The DEP plan will continue to operate as a “true PPO” with cost sharing differences between in and out-of-network claims.

Financial Results

Active DEP - For Plan Year 2013, favorable experience for the DEP resulted in a 6.7% gain of \$3.8 million. Preliminary projections for Plan Year 2014 show a 4.2% gain of \$2.5 million. The recommended 3.3% decrease for Plan Year 2015 is projected to result in a break-even position for the Employee Dental Expense Plan (i.e., plan costs equal to premium).



Retiree DEP - For Plan Year 2013, favorable experience for the Retiree DEP resulted in a 4.3% gain of \$2.3 million. Preliminary projections for Plan Year 2014 show a 1.7% gain of \$1.0 million. A 2.4% reduction in premium rates for Plan Year 2015 is projected to result in a break-even position for the Retiree Dental Expense Plan (i.e., plan costs equal to premium).

Note that the Retiree DEP projection assumes that 26% of Retirees will enroll in DPO plans. It is possible that this migration of Retirees out of the DEP plan may increase the per capita DEP claim level, since Retirees with ongoing dental treatments may likely remain in the DEP, especially if their current providers do not participate in the DPO provider panel, and Retirees who expect to have low dental benefit utilization may be more likely to migrate to the DPO.

In addition, Aon Hewitt projections assume a typical retiree dental enrollment growth, but since the Division of Pensions and Benefits is planning to open dental coverage to all retirees for Plan Year 2015 (i.e., previously-unenrolled Retirees will have an opportunity to enroll in the Fall of 2014 for either DEP or DPO coverage, effective 1/1/15), Retiree growth may be greater than the typical 10% annual increase. While the recommended Plan Year 2015 premium levels assume that premium will be equal to plan costs, it is possible that these recommended renewal premium rates may produce a loss in Plan Year 2015 DEP of \$3 to \$5 million due to the adverse selection involved in offering this new plan alongside the current DEP as well as opening up enrollment to all retirees. Since the Retiree dental program has a current surplus of approximately \$16 million, the renewal premiums have not been adjusted to reflect any excess trend due to member migration or member growth.

DPOs - The DPOs are fully-insured, so the premiums represent a no-loss, no-gain basis for the State.

The table below summarizes the projected gains (in \$ millions) for Plan Years 2013, 2014, and 2015. These gains assume that premiums are fully funded each year:



Projected Gain \$ in Millions

| | <u>PYE 2013</u> | <u>PYE 2014</u> | <u>PYE 2015</u> |
|-------------------------|-----------------|-----------------|-----------------|
| Employee Dental Expense | \$3.8 | \$2.5 | \$0.0 |
| Retiree Dental Expense | \$2.3 | \$1.0 | \$0.0 |
| DPOs | N/A | N/A | N/A |
| Total | \$6.1 | \$3.5 | \$0.0 |

Administrative Changes

Plan Year 2015 administrative fees have been reduced 17% as a result of the Dental RFP process, which reduces total projected costs by \$0.5 million

Employee Contributions

Retirees in the Dental Expense Plan pay 100% of the projected costs of the program. Active Employees pay 50% of the projected costs. Retirees will benefit from 100% of the projected savings associated with the Dental RFP and Active Employees will receive 50% of the projected savings.



Historical Overview

Benefit Changes

In Plan Year 2010 the Retiree Dental Expense Plan changed from a passive PPO to a true PPO. In Plan Year 2012 the Employee Dental Expense Plan also changed from a passive PPO to a true PPO.

Network Changes

There were no significant changes in the Dental Expense Plan network in Plan Year 2013 and 2014, and none are projected for Plan Year 2015 since Aetna will continue as the DEP administrator.

The SHBP Dental Plan recently concluded an RFP process to also review potential DPO vendors. As a result, Aetna, Cigna, Horizon, Healthplex, and MetLife have been selected to provide these benefits for Plan Year 2015. These five vendors will create minimal disruption from the current six DPOs as approximately 7% of the prior provider utilization are not in the network panels of the selected five DPOs going forward. Aetna Cigna, and MetLife have national DPO networks while Horizon and Healthplex are predominantly concentrated in New Jersey with some coverage in adjacent counties in New York and Pennsylvania.

Enrollment Changes

Exhibit 2 shows historical enrollment patterns among the SHBP Dental Plan offerings for Plan Years 2005 through 2014 and includes Aon Hewitt's projection of Plan Year 2015 enrollment.

State Active enrollment projections assume that Dental enrollment will decrease 1%, based on projections for the State medical plan enrollment. Local Active enrollment projections assume that Local Active enrollment will increase by 1,000 employees, consistent with prior years. Retiree dental enrollment is projected to increase 10% in Plan Year 2015, consistent with prior years, although the increase may be more than that due to the special Open Enrollment to introduce the Retiree DPO options.

Following are Aon Hewitt's Plan Year 2015 Dental Program enrollment projections:



| | State | Local | Total |
|----------------------|--------|--------|--------|
| Actives | | | |
| Dental Expense Plan | 57,400 | 5,000 | 62,400 |
| DPOs | 36,000 | 1,100 | 37,100 |
| Total Active Dental | 93,400 | 6,100 | 99,500 |
| Retirees | | | |
| Dental Expense Plan | 20,600 | 48,500 | 69,100 |
| DPOs | 7,500 | 17,700 | 25,200 |
| Total Retiree Dental | 28,100 | 66,200 | 94,300 |

These projections assume that 37% of Active dental members and 27% of Retired dental members will enroll in the DPO options. The DPO options offer members lower cost dental coverage through lower monthly premium contributions and fixed copays for each dental procedure.

Exhibit 2D shows May 2014 DEP and DPO enrollment for actives and retirees.



Trend Analysis

Exhibit 3 presents Aon Hewitt's trend assumptions for Plan Year 2015 for the DEPs. This exhibit compares the actual increase in SHBP Employee DEP average claims with industry norms (based on Aon Hewitt's Trend Survey) for the same period, separately for Employees and Retirees.

SHBP Employee DEP claim increases range from -14.0% in Plan Year 2012 to +3.5% in Plan Year 2007. The negative claim increases in Plan Year 2012 for Actives and Plan Year 2010 for Retirees are primarily due to the change from a passive PPO to a true PPO. Aon Hewitt is recommending 3.0% trend to project DEP claims into Plan Years 2014 and 2015. Nevertheless, Plan Year 2015 DEP rates are 3.3% and 2.4% below Plan Year 2014 levels for Actives and Retirees, respectively, due to the Dental RFP results.



Dental Expense Plan Financial Projections

Rating Methodology

Exhibit 4 shows the aggregate costs for Plan Years 2013, 2014, and 2015, separately for Active versus Retiree and for State versus Local Employers. Costs were projected separately for dental claims, administrative costs, investment income, and aggregate premiums. Exhibit 5 lists the assumptions used in projecting dental costs.

Dental Claim Projection

1. Using claim data (and claim triangles) supplied by Aetna, we estimated completed incurred claims for Plan Year 2013 and the first quarter of Plan Year 2014.
2. Aggregate dental claims for each Plan Year were divided by the average members for that Plan Year to get claims per member. To get average members, we used actual billing enrollment combined with assumptions for members per subscriber.
3. Claims per member were projected to Plan Years 2014 and 2015 using the trends listed in Exhibit 3.
4. Aggregate Plan Year 2015 claims are the product of the projected Plan Year 2015 enrollment and the projected Plan Year 2015 claims per member, reduced 2% due to projected savings from the RFP.

Administrative Cost Projection

Aetna decreased Plan Year 2015 administrative fees 21% for Actives and 14% for Retirees in the RFP process. The Administrative Costs shown in Exhibit 4 are the contractual Aetna ASO fees multiplied by the projected enrollment for each year:



DEP ASO Fees PEPM

| | <u>Actives</u> | <u>Retirees</u> |
|----------------|----------------|-----------------|
| 1/2013–12/2013 | \$1.96 | \$1.80 |
| 1/2014–12/2014 | \$1.96 | \$1.80 |
| 1/2015–12/2015 | \$1.55 | \$1.55 |

Investment Income

Investment Income for Plan Year 2013 reflects actual amounts credited to the Dental Plan. Investment Income for Plan Year 2014 is based on income for the first four months of the year annualized. Plan Year 2015 investment income assumes no change from Plan Year 2014.



Rate Renewal Development

Dental Expense Plan Rate Change Recommendation

1. Plan Year 2015 aggregate costs were calculated by summing projected costs for dental claims and administrative charges, reduced by investment income.
2. Plan Year 2015 Employee aggregate costs were compared with Plan Year 2014 Employee premium rates multiplied by Plan Year 2015 projected enrollment. The projected costs are 3.3% lower than Plan Year 2014 projected premiums, so **Aon Hewitt is recommending a 3.3% reduction for the Employee Dental Expense Plan.**
3. Plan Year 2015 Retiree aggregate projected costs are 2.4% less than Plan Year 2014 Retiree premiums multiplied by Plan Year 2015 projected enrollment. Therefore, **Aon Hewitt is recommending a 2.4% reduction for the Retiree Dental Expense Plan.**

DPO Premiums

The Plan Year 2015 DPO premiums reflect savings produced by the RFP process:

| | PY 2015 Increase | Plan Year 2015 DPO premium / DEP premium | |
|------------|---------------------|---|----------|
| | | Actives | Retirees |
| Aetna | -6% | 53% | 57% |
| Cigna | -10% | 55% | 63% |
| Healthplex | -50% | 23% | 24% |
| Horizon | 1% | 53% | 57% |
| MetLife | N/A | 41% | 43% |

Aetna, Cigna, and Healthplex reduced premiums and Horizon's premium increase is much less than trend. The Plan Year 2015 DPO premiums range from 23% to 63% of the DEP cost. When Active members enroll in the DPO, the reduced cost is shared by the employee and the employer, since Actives pay 50% of the monthly premium. Retirees receive 100% of the cost savings since they pay 100% of the cost of the Retiree dental program for both DEP and DPO.



Plan Year 2015 Premium Rates

Exhibit 6 contains the premium tables for the Plan Year 2015 Dental Plan renewal. The DEP premiums were calculated by applying the percentage changes in Exhibit 1 to the Plan Year 2014 premium tables. The DPO premiums are those offered by the five DPOs selected through the Dental RFP process.



SHBP Dental Plans PY2015 Renewal Report

EXHIBITS

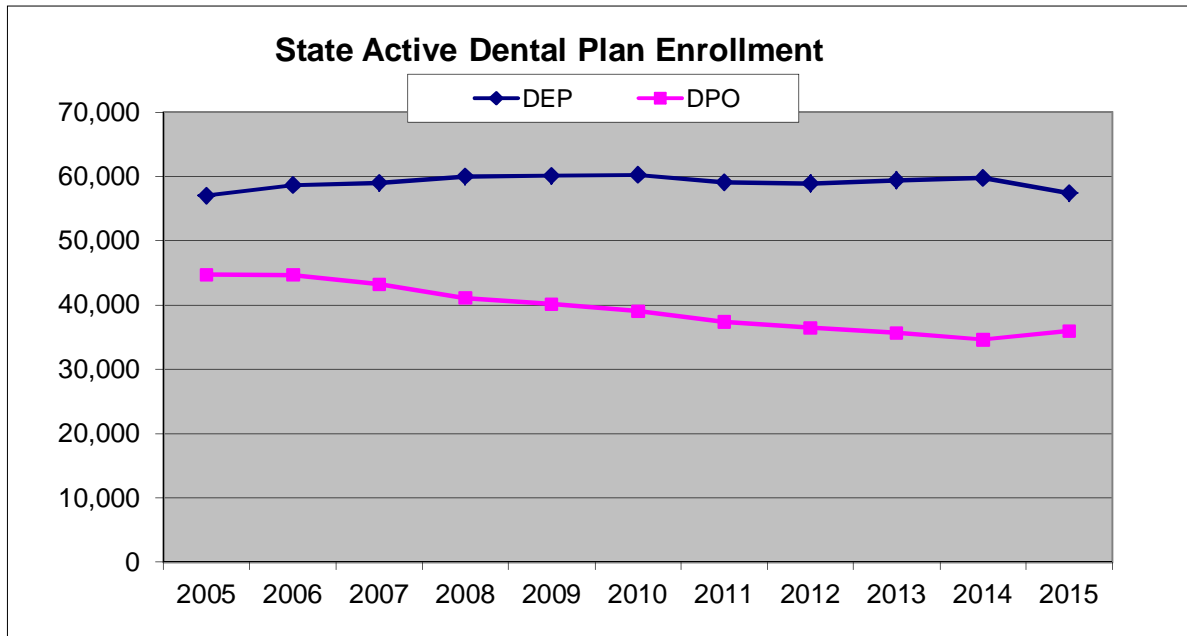
Exhibit 1 - Recommended Renewal Increases

| | Actives | Retirees |
|----------------------------|---------|----------|
| Dental Expense Plan | -3.3% | -2.4% |
| DPO Plans | -17.6% | NA |
| Aetna | -5.9% | NA |
| Cigna | -9.8% | NA |
| Healthplex | -50.0% | NA |
| Horizon | 0.8% | NA |
| MetLife | N/A | NA |



SHBP Dental Plans PY2015 Renewal Report

Exhibit 2A - State Active Enrollment Projections



Observations:

Total Active Dental enrollment is assumed to decrease 1% from Plan Year 2014 to Plan Year 2015 consistent with projected medical enrollment changes.

Dental Expense Plan Active enrollment increased from 62.5% of total Dental enrollment in Plan Year 2013 to 63.3% in Plan Year 2014. Plan Year 2015 Dental Expense enrollment is assumed to decrease to 61.5% in response to the lower Plan Year 2015 DPO premiums.

Projected Plan Year 2015 Dental enrollment is 97% of projected Medical enrollment, which is consistent with Plan Year 2014.

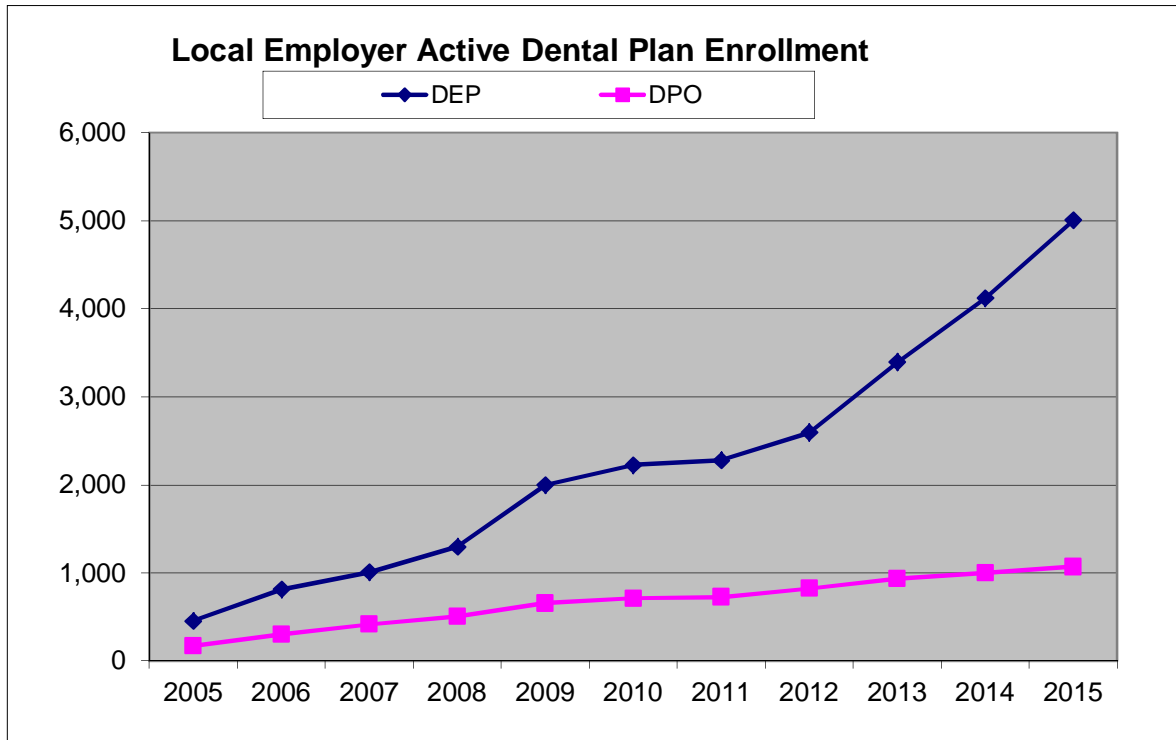
Projected Plan Year 2015 State Active Employee Enrollment

| | |
|---------------------|--------|
| Dental Expense Plan | 57,400 |
| DPOs | 36,000 |
| Total Dental | 93,400 |



SHBP Dental Plans PY2015 Renewal Report

Exhibit 2B - Local Active Enrollment Projections



Observations:

Dental was first offered to Local Active Employees in Plan Year 2005. Initial enrollment was quite low and it has grown to 4% of Medical Plan enrollment.

Local Active Dental enrollment is projected to increase by about 1,000 employees in Plan Year 2015.

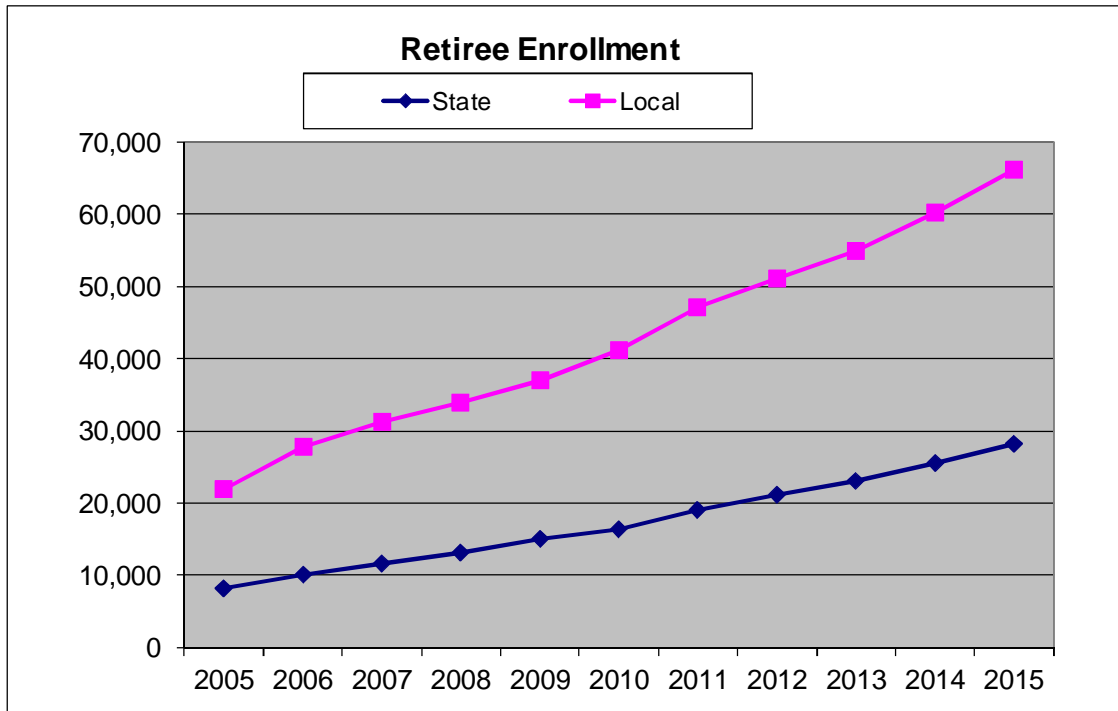
Projected Plan Year 2015 Local Employer Active Employee Enrollment

| | |
|---------------------|-------|
| Dental Expense Plan | 5,000 |
| DPOs | 1,100 |
| Total Dental | 6,100 |



SHBP Dental Plans PY2015 Renewal Report

Exhibit 2C - Retiree Enrollment Projections



Observations:

Dental was first offered to Retirees in Plan Year 2005. Initially, the plan was offered to all retirees, but from Plan Year 2006 onward, it has only been open to new retirees.

Plan Year 2015 enrollment is projected to increase 10%, similar to prior years.

Plan Year 2015 Retiree Dental enrollment is projected to be 58% of State Retiree Medical enrollment and 50% of Local Employer Retiree Medical enrollment.

Effective 1/1/2015, Retirees will be offered five DPO options as well as the current DEP plan. It is projected that 27% of Retirees will enroll in the DPO options.

Projected Plan Year 2015 Retiree Enrollment

| | DEP | DPO | Total |
|----------------|--------|--------|--------|
| State | 20,600 | 7,500 | 28,100 |
| Local Employer | 48,500 | 17,700 | 66,200 |
| Total Dental | 69,100 | 25,200 | 94,300 |



SHBP Dental Plans PY2015 Renewal Report

Exhibit 2D - May 2014 SHBP Enrollment

| | Number of Contracts | | | | |
|----------------------------|----------------------|---------------------------|---------------|------------------------|---------------|
| | Single | Member&Spouse /Partner | Family | Parent + Child(ren) | Total |
| Dental Expense #399 | STATE ACTIVES | | | | |
| | 20,079 | 11,369 | 20,188 | 7,660 | 59,296 |
| DPO Plans | | | | | |
| Benecare #301 | 1,208 | 701 | 1,770 | 1,060 | 4,739 |
| Community Dental #302 | 325 | 211 | 464 | 402 | 1,402 |
| CIGNA #305 | 1,568 | 647 | 1,813 | 1,030 | 5,058 |
| HealthPlex #307 | 840 | 319 | 540 | 478 | 2,177 |
| Horizon #317 | 2,770 | 928 | 2,230 | 1,418 | 7,346 |
| Aetna #319 | 4,639 | 1,781 | 4,554 | 2,888 | 13,862 |
| Total DPOs | 11,350 | 4,587 | 11,371 | 7,276 | 34,584 |
| Total | 31,429 | 15,956 | 31,559 | 14,936 | 93,880 |

| | LOCAL EMPLOYER ACTIVES | | | | |
|----------------------------|------------------------|---------------------------|--------------|------------------------|--------------|
| | Single | Member&Spouse /Partner | Family | Parent + Child(ren) | Total |
| Dental Expense #399 | 1,309 | 826 | 1,571 | 377 | 4,083 |
| DPO Plans | | | | | |
| Benecare #301 | 31 | 20 | 51 | 16 | 118 |
| Community Dental #302 | 2 | 1 | 1 | 0 | 4 |
| CIGNA #305 | 45 | 25 | 45 | 11 | 126 |
| HealthPlex #307 | 4 | 1 | 2 | 0 | 7 |
| Horizon #317 | 137 | 42 | 103 | 57 | 339 |
| Aetna #319 | 124 | 60 | 163 | 60 | 407 |
| Total DPOs | 343 | 149 | 365 | 144 | 1,001 |
| Total | 1,652 | 975 | 1,936 | 521 | 5,084 |

| RETIREE DENTAL EXPENSE (Projected from April 2014) | | | | | |
|--|---------------|---------------|--------------|--------------|---------------|
| Total | 40,820 | 31,728 | 7,638 | 3,214 | 83,400 |



SHBP Dental Plans PY2015 Renewal Report

Exhibit 3 - Trend Analysis

| | SHBP Employee Claim Increases | SHBP Retiree Claim Increases | Aon Survey - Indemnity | Aon Survey - PPO | SHBP Employee - Aon Survey | SHBP Retiree - Aon Survey |
|---------------------|--|---------------------------------------|---------------------------|---------------------|----------------------------------|---------------------------------|
| 2003 to 2004 actual | 2.4% | | 7.7% | 6.9% | -5.3% | |
| 2004 to 2005 actual | 1.4% | | 7.6% | 6.8% | -6.2% | |
| 2005 to 2006 actual | 3.4% | -2.1% | 7.1% | 6.7% | -3.7% | -9.2% |
| 2006 to 2007 actual | 3.5% | 2.7% | 7.1% | 6.1% | -3.6% | -4.4% |
| 2007 to 2008 actual | 1.8% | 2.4% | 7.0% | 6.3% | -5.2% | -4.6% |
| 2008 to 2009 actual | 2.4% | 2.5% | 6.5% | 5.9% | -4.1% | -4.0% |
| 2009 to 2010 actual | 3.0% | -8.4% | 6.8% | 6.0% | -3.8% | -14.4% |
| 2010 to 2011 actual | 0.6% | 2.8% | 6.8% | 6.0% | -6.2% | -3.2% |
| 2011 to 2012 actual | -14.0% | -1.8% | 6.0% | 5.4% | -20.0% | -7.2% |
| 2012 to 2013 actual | 1.3% | -4.5% | 5.5% | 5.0% | -3.7% | -9.5% |
| Projection Trend | 3.0% | 3.0% | 5.6% | 4.5% | -1.5% | -1.5% |

Observations:

Retiree Dental changed from a passive PPO to a true PPO in Plan Year 2010, which resulted in an 11% decrease in claims.

Employee Dental changed from a passive PPO to a true PPO in Plan Year 2012, which resulted in an 12% decrease in claims.

4th quarter 2012 claims were 8% lower than expected due to Hurricane Sandy; this reduced the total increase for Plan Year 2012 by 2%.

2013 increases reflect lower than usual utilization, probably due to the change to a true PPO and the aftermath of Hurricane Sandy.



SHBP Dental Plans PY2015 Renewal Report

Exhibit 4 - Dental Financial Projections

| Plan Year 2013 | Total Actives | DEP Actives | DPO Actives | Total Retirees | DEP Retirees | DPO Retirees | Total Total | DEP Total | DPO Total |
|----------------------------|------------------|----------------|----------------|-------------------|-----------------|-----------------|----------------|----------------|---------------|
| Average Dental Subscribers | 99,365 | 62,797 | 36,568 | 77,998 | 77,998 | N/A | 177,363 | 140,795 | 36,568 |
| Incurred Claims | N/A | \$ 51,555,000 | N/A | N/A | \$ 49,922,000 | N/A | N/A | \$ 101,477,000 | N/A |
| Administrative Fees | N/A | \$ 1,477,000 | N/A | N/A | \$ 1,685,000 | N/A | N/A | \$ 3,162,000 | N/A |
| Investment Income | N/A | \$ (18,000) | N/A | N/A | \$ (18,000) | N/A | N/A | \$ (36,000) | N/A |
| Total Cost | N/A | \$ 53,014,000 | N/A | N/A | \$ 51,589,000 | N/A | N/A | \$ 104,603,000 | N/A |
| Premium | \$ 75,683,000 | \$ 56,826,000 | \$ 18,857,000 | \$ 53,917,000 | \$ 53,917,000 | N/A | \$ 129,600,000 | \$ 110,743,000 | \$ 18,857,000 |
| Gain (Loss) | N/A | \$ 3,812,000 | N/A | N/A | \$ 2,328,000 | N/A | N/A | \$ 6,140,000 | N/A |
| Plan Year 2014 | | | | | | | | | |
| Average Dental Subscribers | 99,525 | 63,891 | 35,634 | 85,771 | 85,771 | N/A | 185,296 | 149,662 | 35,634 |
| Incurred Claims | N/A | \$ 53,987,000 | N/A | N/A | \$ 56,538,000 | N/A | N/A | \$ 110,525,000 | N/A |
| Administrative Fees | N/A | \$ 1,503,000 | N/A | N/A | \$ 1,852,000 | N/A | N/A | \$ 3,355,000 | N/A |
| Investment Income | N/A | \$ (20,000) | N/A | N/A | \$ (21,000) | N/A | N/A | \$ (41,000) | N/A |
| Total Cost | N/A | \$ 55,470,000 | N/A | N/A | \$ 58,369,000 | N/A | N/A | \$ 113,839,000 | N/A |
| Premium | \$ 76,222,000 | \$ 57,928,000 | \$ 18,294,000 | \$ 59,382,000 | \$ 59,382,000 | N/A | \$ 135,604,000 | \$ 117,310,000 | \$ 18,294,000 |
| Gain (Loss) | N/A | \$ 2,458,000 | N/A | N/A | \$ 1,013,000 | N/A | N/A | \$ 3,471,000 | N/A |
| Plan Year 2015 | | | | | | | | | |
| Average Dental Subscribers | 99,439 | 62,403 | 37,036 | 94,348 | 69,122 | 25,226 | 193,787 | 131,526 | 62,262 |
| Incurred Claims | N/A | \$ 53,627,000 | N/A | N/A | \$ 45,442,000 | N/A | N/A | \$ 99,069,000 | N/A |
| Administrative Fees | N/A | \$ 1,161,000 | N/A | N/A | \$ 1,285,000 | N/A | N/A | \$ 2,446,000 | N/A |
| Investment Income | N/A | \$ (22,000) | N/A | N/A | \$ (20,000) | N/A | N/A | \$ (42,000) | N/A |
| Total Cost | N/A | \$ 54,766,000 | N/A | N/A | \$ 46,707,000 | N/A | N/A | \$ 101,473,000 | N/A |
| Premium | \$ 70,882,000 | \$ 54,766,000 | \$ 16,116,000 | \$ 54,082,000 | \$ 46,708,000 | \$ 7,374,000 | \$ 124,964,000 | \$ 101,474,000 | \$ 23,490,000 |
| Gain (Loss) | N/A | \$ - | N/A | N/A | \$ 1,000 | N/A | N/A | \$ 1,000 | N/A |

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SHBP Dental Plans PY2015 Dental Plan Rate Renewal Report

Exhibit 5 – Projection Assumptions

Benefit Design Changes

We are assuming that there will be no plan design changes for Employees or Retirees in Plan Year 2015, other than the offer of DPO coverage to retirees for the first time.

Vendor Changes

Aetna remains as the only DEP vendor in Plan Year 2015. Plan Year 2015 DPO vendors are Aetna, Cigna, Healthplex, Horizon, and MetLife. BeneCare and Community Dental Associates DPOs will not be offered in Plan Year 2015.

Member Contributions

State Active Plans: Employees will continue to pay 50% of the DEP premium and 50% of the premium for each DPO.

Local Employer Active Plans: There will be no change to the current requirements: Employees pay a maximum of 50% of premium for the DEP and for each DPO vendor. Actual contributions vary by Local Employer.

State and Local Employer Retiree Plans: There will be no change to current requirements: Retirees pay 100% of the premium.

Incurred Basis

Plan Year 2015 projections are based on expected incurred claims and expenses for Plan Year 2015.

Margin

DPO Plans: DPO rates have no margin, since there is no risk to the State in these programs.

Employee DEP: Active Employees pay half the projected cost of the Dental Plan with no deficit recovery and no margin is included in the renewal rates.

Retiree DEP: Retirees pay 100% of the premium with no deficit recovery. The Retiree DEP claim stabilization reserve is projected to be \$16 million at the end of



Plan Year 2015, which is higher than the recommended reserve level, so no margin has been included in the renewal rates. In addition, due to the high reserve level, the retiree projections have not been adjusted to reflect any anti-selection which may occur as a result of introducing DPO options and having a special Open Enrollment for all current retirees.

Administrative Expenses

Plan Year 2015 DEP premiums will include projected costs for the following administrative expenses:

- Aetna ASO fees, and
- Investment income credit.

Enrollment Projections

Based on historical enrollment patterns and discussions with the State, we are projecting the following enrollment for Plan Year 2015:

| | State | Local | Total |
|----------------------|--------|--------|--------|
| Actives | | | |
| Dental Expense Plan | 57,400 | 5,000 | 62,400 |
| DPOs | 36,000 | 1,100 | 37,100 |
| Total Active Dental | 93,400 | 6,100 | 99,500 |
| Retirees | | | |
| Dental Expense Plan | 20,600 | 48,500 | 69,100 |
| DPOs | 7,500 | 17,700 | 25,200 |
| Total Retiree Dental | 28,100 | 66,200 | 94,300 |

Trend Rates

Trend assumptions were developed by comparing the SHBP historical trend with industry norms, and making adjustments for an anticipated increase in utilization as the economy recovers. The trend assumption for Plan Year 2015 is 3.0% for Employees and 3.0% for Retirees.

Data Assumptions

Claims: We received a claim file from Aetna with claims paid through March 2014 and we used this information in our renewal analysis.

Enrollment: We used actual billing counts through May 2014 and projected billing counts through December 2015 for the exposure units in the renewal calculations.



SHBP Dental Plans PY2015 Dental Plan Rate Renewal Report

Exhibit 6A – Plan Year 2015 Employee Monthly Premiums

| <u>DENTAL PROVIDER ORGANIZATIONS (DPOs)</u> | <u>Premiums</u> | <u>Employee Contributions</u> |
|---|-----------------|-------------------------------|
| CIGNA (DPO #305) | | |
| SINGLE | \$20.96 | \$10.48 |
| Member & Spouse/Partner | \$36.46 | \$18.23 |
| FAMILY | \$59.62 | \$29.81 |
| PARENT & CHILD | \$44.19 | \$22.09 |
| HEALTHPLEX (DPO #307) | | |
| SINGLE | \$8.78 | \$4.39 |
| Member & Spouse/Partner | \$15.27 | \$7.63 |
| FAMILY | \$24.95 | \$12.47 |
| PARENT & CHILD | \$18.49 | \$9.24 |
| HORIZON DENTAL CHOICE (DPO #317) | | |
| SINGLE | \$20.16 | \$10.08 |
| Member & Spouse/Partner | \$35.03 | \$17.51 |
| FAMILY | \$57.29 | \$28.64 |
| PARENT & CHILD | \$42.44 | \$21.22 |
| AETNA (DPO #319) | | |
| SINGLE | \$20.14 | \$10.07 |
| Member & Spouse/Partner | \$35.05 | \$17.52 |
| FAMILY | \$57.33 | \$28.66 |
| PARENT & CHILD | \$42.48 | \$21.24 |
| METLIFE (DPO #TBA) | | |
| SINGLE | \$15.76 | \$7.88 |
| Member & Spouse/Partner | \$26.70 | \$13.35 |
| FAMILY | \$43.10 | \$21.55 |
| PARENT & CHILD | \$32.16 | \$16.08 |
| EMPLOYEE DENTAL EXPENSE PLAN - #399 | | |
| SINGLE | \$38.20 | \$19.10 |
| Member & Spouse/Partner | \$66.39 | \$33.19 |
| FAMILY | \$108.60 | \$54.30 |
| PARENT & CHILD | \$80.45 | \$40.22 |

* Based on 50% of each DPO's premium rates



SHBP Dental Plans PY2015 Dental Plan Rate Renewal Report

Exhibit 6B – Plan Year 2015 Retiree Monthly Premiums

| <u>DENTAL PROVIDER ORGANIZATIONS (DPOs)</u> | <u>Premiums</u> | <u>Retiree Contributions</u> |
|--|-----------------|----------------------------------|
| CIGNA (DPO #305) | | |
| SINGLE | \$22.98 | \$22.98 |
| Member & Spouse/Partner | \$43.86 | \$43.86 |
| FAMILY | \$78.72 | \$78.72 |
| PARENT & CHILD | \$69.85 | \$69.85 |
| HEALTHPLEX (DPO #307) | | |
| SINGLE | \$8.78 | \$8.78 |
| Member & Spouse/Partner | \$15.27 | \$15.27 |
| FAMILY | \$24.95 | \$24.95 |
| PARENT & CHILD | \$18.49 | \$18.49 |
| HORIZON DENTAL CHOICE (DPO #317) | | |
| SINGLE | \$20.76 | \$20.76 |
| Member & Spouse/Partner | \$36.08 | \$36.08 |
| FAMILY | \$59.01 | \$59.01 |
| PARENT & CHILD | \$43.71 | \$43.71 |
| AETNA (DPO #319) | | |
| SINGLE | \$20.98 | \$20.98 |
| Member & Spouse/Partner | \$36.50 | \$36.50 |
| FAMILY | \$59.71 | \$59.71 |
| PARENT & CHILD | \$44.25 | \$44.25 |
| METLIFE (DPO #TBA) | | |
| SINGLE | \$15.76 | \$15.76 |
| Member & Spouse/Partner | \$26.70 | \$26.70 |
| FAMILY | \$43.10 | \$43.10 |
| PARENT & CHILD | \$32.16 | \$32.16 |
| <u>RETIREE DENTAL EXPENSE PLAN - #398</u> | | |
| SINGLE | \$36.75 | \$36.75 |
| Member & Spouse/Partner | \$72.50 | \$72.50 |
| FAMILY | \$94.47 | \$94.47 |
| PARENT & CHILD | \$54.64 | \$54.64 |